



ADVANEX INC. Flash Report (Consolidated Basis)

Results for FY2019 First quarter(three months ended June 30, 2018)

August 10, 2018

Company name: ADVANEX INC.

Code number: 5998

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Filing date of quarterly securities report:

Supplementary explanation material for quarterly financial results

Holding of presentation meeting for quarterly financial results

Stock listings: Tokyo Stock Exchange

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August 10, 2018

Yes

No

1. Performance (April 1, 2018 through June 30, 2018) (Figures less than ¥1 million have been omitted.)

(1) Consolidated operating results (For the three months ended June 30.).

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	5,238	6.9	55	(21.5)	82	(2.0)	(1)	-
Three months ended June 30, 2017	4,899	12.1	71	658.0	83	-	47	-

[Note] Comprehensive income: Three months ended June 30, 2018 (19) million yen

Three months ended June 30, 2017 141 million yen

	Net income per share	Net income per share after dilution
	Yen	Yen
Three months ended June 30, 2018	(0.26)	-
Three months ended June 30, 2017	11.72	11.61

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	20,761	6,091	29.1
As of March 31, 2018	20,315	6,233	30.5

[Reference] Total shareholder's equity: 6,044million yen at June 30, 2018 6,186 million yen at March 31, 2017

2. Dividends

	Dividends per share				
Record date	First quarter -end dividends	Second quarter -end dividends	Third quarter -end dividends	Year-end dividends	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	--	--	--	30.00	30.00
Year ended March 31, 2019	--	--	--	--	--
Year ended March 31, 2019 (forecast)	--	--	--	30.00	30.00

[Note1] Revisions to the latest forecast of cash dividends: No

3. Forecast of consolidated results for FY2019 (April 1, 2018 through March 31, 2019)

Percentages indicate year-on-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income (loss)		Net income (loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ended March 31, 2019	20,800	2.5	350	34.9	320	34.8	160	221.2	39.24

[Note1] Revisions to the latest forecasts of consolidated results: No

4. Others

- (1) Significant changes in subsidiaries during the subject fiscal year: No
Additions: 0 Deletions: 0
- (2) Application of simplified accounting and specific accounting: No
- (3) Changes in accounting principles, procedures, presentations, etc.
 - a. Changes associated with revision of accounting standards, etc: No
 - b. Changes other than a.: No
 - c. Change in accounting estimate: No
 - d. Restatement: No
- (4) Number of shares outstanding (Common stock)
 - a. Number of shares outstanding at end of period (Including treasury stock)
 - 4,153,370 shares at June 30, 2018
 - 4,153,370 shares at March 31, 2018
 - b. Number of shares of treasury stock at end of period
 - 75,541 shares at June 30, 2018
 - 75,501 shares at March 31, 2018
 - c. Average number of shares issued and outstanding in each period:
 - 4,077,843 shares at June 30, 2018
 - 4,081,640 shares at June 30, 2017

[Notes]

1. Explanation for related to implementation of the quarterly review procedures
When disclosing this Brief Report of Financial Results, the review procedures for quarterly financial statements under the Financial Instruments and Exchange Law have not been brought to completion.
2. Explanation for appropriate use of financial forecasts and other special remarks
The above-mentioned forecasts are based on the information available as of the date when this information is disclosed, as well as on the assumptions as of the disclosing date of this information related with unpredictable parameters that are probable to affect our future business performances. Our actual performance is likely to differ greatly from these estimates depending on various factors in the future.

(Attachment)

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1 . Qualitative Information on Financial Results For This Quarter

(1) Explanation of Business Results

During the first quarter (from April 1 to June 30, 2018) of the fiscal year under review, US, European and Chinese economies continued to expand reflecting strong corporate performances. At the same time, there are still increasing signs of uncertainties such as the US's import taxes imposed on Chinese and EU products and their retaliatory measures. In Japan, although there are minor impacts from US trade policy, overall economy remained firm.

As a result, the consolidated net sales of Advanex group for the first quarter of the fiscal year under review increased 6.9% year on year to ¥5,238 million and operating income decreased 21.5% year on year to ¥55 million. Ordinary income decreased 2.0% year on year to ¥82 million and net loss attributable to owners of the parent for the first quarter amounted to ¥1 million. (Net income of ¥ 47 million recorded in the same period of previous fiscal year)

Results for each operating segment are as follows.

[Japan]

Net sales of this segment increased 6.5% year on year to ¥ 2,040 million reflecting brisk sales to automotive market. Yet, due to increased fixed costs such as capital investment and hiring new staff to prepare for production expansion, segment loss of ¥54 million was recorded. (Loss of ¥42 million recorded in the same period of previous fiscal year)

[Americas]

Thanks to strong sales to medical equipment market, net sales of this segment increased 7.0% year on year to ¥613 million. Still, primarily due to increases in fixed costs such as capital investment and hiring new staff to prepare for production expansion, segment loss amounted to ¥65 million. (Loss of ¥40 million recorded in the same period of previous fiscal year)

[Europe]

Reflecting favorable sales to medical equipment and aviation markets, net sales of this segment increased 24.6% year on year to ¥535 million and segment income increased 87.9% year on year to ¥56 million.

[Asia]

Primarily due to strong sales to automotive and medical equipment markets, net sales of this segment increased 3.4% year on year to ¥2,048 million and segment income increased 4.9% year on year to ¥131 million.

(2) Explanation of Financial Position

The Status of assets, liabilities, and net assets

Total assets at the end of the first quarter amounted to ¥20,761 million, increasing ¥445 million compared with the end of previous fiscal year (March 31, 2018). Major reasons are as follows.

In assets section, the total amount of current assets increased ¥204 million to ¥12,394 million. This change is due mainly to a ¥274 million decrease in cash and time deposits, a ¥227 million increase in trade notes and accounts receivable, a ¥159 million increase in inventory assets. The total amount of fixed assets increased ¥241 million to ¥8,366 million. This change mainly reflects a

¥249 million increase in tangible fixed assets.

On the liabilities side, the total liabilities amounted to ¥14,669 million, increasing ¥587 million from the end of previous fiscal year. This change is primarily due to a ¥370 million increase in trade notes and accounts payable and a ¥208 million increase in borrowings.

In the net assets, the total net assets amounted to ¥6,091 million, decreasing ¥142 million from the end of previous fiscal year. This change is primarily owing to a ¥123 million decrease in Shareholders' equity reflecting dividend payments and others.

(3) Explanation of Consolidated Business Forecast and other Forecasts

Regarding the prospect of the consolidated business forecasts for the fiscal year ending March 31, 2018, the company has no changes from the forecasts released on May 11, 2017

2. Other summary information

(1) Change to major subsidiaries during the fiscal period under review

None

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements

None

(3) Changes in accounting policy, changes in accounting estimated, and restatements.

(Adoption of accounting standard for Business Combinations)

None

3. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

(Amount: thousands of yen)

	FY2019 first quarter (As of June 30,2018)	FY2018 (As of March 31,2018)
ASSETS		
Current assets:		
Cash and time deposits	4,072,033	4,346,905
Trade notes and accounts receivable	5,053,769	4,826,490
Finished goods	1,276,230	1,238,800
Work in process	689,563	659,789
Raw materials and stored items	878,770	786,912
Other current assets	437,268	345,347
Allowance for doubtful accounts	(12,774)	(13,934)
Total current assets	12,394,861	12,190,312
Noncurrent assets:		
Tangible noncurrent assets		
Buildings and structures	1,984,544	2,015,080
Machinery and equipment	3,376,697	3,125,728
Land	1,129,244	1,119,095
Others	769,270	750,214
Total tangible noncurrent assets	7,259,756	7,010,118
Intangible noncurrent assets	203,623	225,129
Investments and other assets	902,842	889,848
Total noncurrent assets	8,366,222	8,125,096
Total assets	20,761,084	20,315,408

(Amount: thousands of yen)

	FY2019 first quarter (As of June 30,2018)	FY2018 (As of March 31,2018)
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	2,945,482	2,574,829
Short-term borrowings	2,659,979	2,624,429
Long-term borrowings due within one year	2,127,216	2,109,704
Accrued income taxes	109,241	118,363
Allowance for bonus	306,740	229,306
Provision for loss on disaster	73,740	75,908
Other current liabilities	1,096,129	1,091,700
Total current liabilities	9,318,529	8,824,241
Noncurrent liabilities		
Long-term borrowings	3,591,914	3,436,123
Deferred tax liabilities	225,806	226,503
Provision for environmental measures	—	3,000
Liabilities for retirement benefits	1,380,566	1,435,779
Asset retirement obligations	39,429	39,412
Other noncurrent liabilities	113,554	116,904
Total noncurrent liabilities	5,351,271	5,257,723
Total liabilities	14,669,801	14,081,965
NET ASSETS		
Shareholder's equity		
Common stock	1,000,000	1,000,000
Capital surplus	256,717	256,717
Retained earnings	5,430,405	5,553,820
Treasury stock	(131,423)	(131,313)
Total shareholder' equity	6,555,698	6,679,224
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	85,915	79,392
Foreign exchange adjustment	(431,299)	(387,176)
cumulative amount for retirement benefits	(165,863)	(184,829)
Total accumulated other comprehensive income	(511,247)	(492,613)
Subscription rights to shares	46,832	46,832
Total net assets	6,091,282	6,233,443
Total liabilities and net assets	20,761,084	20,315,408

(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Amount: thousands of yen)

	FY2019 first quarter (April 1, 2018 through June 30, 2018)	FY2018 first quarter (April 1, 2017 through June 30, 2017)
NET sales	5,238,076	4,899,603
Cost of sales	3,990,941	3,728,601
Gross profit	1,247,135	1,171,001
Selling, general and administrative expenses	1,191,351	1,099,978
Operating income	55,783	71,022
Non-operating revenues		
Interest income	5,596	6,711
Dividends income	2,104	3,347
Rent income	13,272	13,023
Others	17,555	17,107
Total non-operating revenues	50,860	40,189
Non-operating expenses		
Interest expenses	17,744	11,055
Foreign exchange losses	—	10,326
Provision of allowance for doubtful accounts	6,708	5,985
Others	24,452	27,367
Total non-operating expenses	82,191	83,844
Ordinary income(loss)		
Extraordinary gain		
Gain on sales of noncurrent assets	3,966	468
Total extraordinary gain	3,966	468
Extraordinary loss		
Loss on sales of noncurrent assets	999	1,377
Loss on disposal of noncurrent assets	27	80
Settlement package	27,731	—
Total extraordinary loss	28,758	1,458
Net Income (or loss) before income taxes	57,399	82,855
Corporate, inhabitant and enterprise taxes	66,445	34,531
Corporate tax adjustments	(7,966)	506
Total income taxes	58,479	35,037
Net income(loss)	(1,079)	47,817
Net income (loss) Attributable to Owners of the Parent	(1,079)	47,817

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amount: thousands of yen)

	FY2019 first quarter (April 1, 2018 through June 30, 2018)	FY2018 first quarter (April 1, 2017 through June 30, 2017)
Income (or loss) before minority interests	(1,079)	47,817
Other comprehensive income		
Valuation gain(loss) on other securities	6,522	28,535
Foreign currency translation adjustment	(44,122)	65,762
Consolidated equity for equity method affiliate	18,965	(925)
Accumulated other comprehensive income		
Quarterly comprehensive income	(18,634)	93,372
Comprehensive income	(19,714)	141,190
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(19,714)	141,190

(3) Notes Concerning Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable

(Notes Concerning Significant Changes in the Amount of Shareholders' Equity)
 Not applicable

(Additional information)

Application of "Partial amendments to 'Accounting standards for tax effect accounting' "

From the beginning of the first quarter of the fiscal year under review, Advanex applies the "Partial amendments to 'Accounting standards for tax effect accounting'" (ASBJ statement No. 28; February 16, 2018) and deferred tax assets is now in Investments and other assets and deferred tax liabilities is in Noncurrent liabilities.

(4)Segment Information etc.
 【Segment Information】

I FY2019 first quarter (April 1, 2018 through June 30, 2018)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(1) Net sales to third parties	2,040,590	613,722	535,230	2,048,533	5,238,076
(2) Intra-group Net sales and transfers	249,430	—	8,454	70,389	328,274
Total sales	2,290,021	613,722	543,685	2,118,922	5,566,351
Operating income (loss)	(54,607)	(65,766)	56,517	131,214	67,357

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	67,357
Elimination of inter-segment transactions	(11,573)
Consolidated Quarterly Operating Income	55,783

II FY2018 first quarter (April 1, 2017 through June 30, 2017)

1, Information related to sales and income or loss amounts by reporting segments

(Amount: thousands of yen)

	Japan	Americas	Europe	Asia	Total
Net sales					
(3) Net sales to third parties	1,915,192	573,579	429,441	1,981,389	4,899,603
(4) Intra-group Net sales and transfers	173,727	—	11,914	38,924	224,566
Total sales	2,088,920	573,579	441,355	2,020,314	5,124,169
Operating income (loss)	(42,714)	(40,832)	30,073	125,045	71,571

2, Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with Operating Income or Loss of Reporting Segments

Reconciliation of Operating Income	Amount
Total of Reporting Segments	71,571
Elimination of inter-segment transactions	(548)
Consolidated Quarterly Operating Income	71,022

(Important subsequent events)

The expansion of Saitama factory, which produces automotive parts, was decided by the resolution of Advanex Board of Directors at a meeting held on July 23, 2018.

(1) Reason to expand factory

Advanex opened a factory in Honjo-city, Saitama prefecture in 2016. Since then, we have continued to produce automotive related products there. Factory expansion was included in our original plan, but we now decide to frontload the expansion to meet the need for quick production increase after we have received much more new order intakes than we originally expected. When the expansion of the factory completes, we plan to increase production of products such as insert molding which has increasing demand reflecting e-mobility trend in automotive industry, in addition to products for electric drive system of electric vehicles.

(2) Details of capital investment

- 1) Name of factory to expand: Saitama Factory
- 2) Location: Shimonodo, Honjo-city, Saitama prefecture
- 3) Land area: 13,877 sqm
- 4) Area to construct: 3,670 sqm (total area of Saitama Factory: 8,666 sqm)
- 5) Planned amount to invest: around 1 billion yen (for land, building and facility)

(3) Schedule

- 1) Planned completion of construction: around June 2019

(4) Impact to future business results

We foresee that potential impact of this expansion on the consolidated business performance of financial year ending March 2019 to be insignificant.